

APPROVED MINUTES*
SUNNYVALE CITY COUNCIL SPECIAL MEETING
BUDGET WORKSHOP
MAY 21, 2009

8:30 A.M. SPECIAL COUNCIL MEETING

SALUTE TO THE FLAG

Mayor Spitaleri led the salute to the flag

ROLL CALL

PRESENT: Mayor Anthony Spitaleri
Vice Mayor Christopher Moylan
Councilmember John Howe
Councilmember Dean Chu
Councilmember Ron Swegles
Councilmember Melinda Hamilton
Councilmember David Whittum

ABSENT: None

STAFF PRESENT: City Manager Gary Luebbbers
Assistant City Manager Robert Walker
City Attorney David Kahn
Director of Community Development Hanson Hom
Director of Finance Mary Bradley
Revenue Systems Supervisor Tim Kirby
Director of Public Works Marvin Rose
Director of Parks and Recreation David Lewis
Director of Public Safety Don Johnson
City Clerk Kathleen Franco Simmons

PUBLIC COMMENTS

Public comments opened at 8:36 a.m.

**Approved as Amended by Council on June 23, 2009*

Pamela Dunn, President of Sunnyvale Employees Association, stated she was speaking on behalf of her association and the other employee associations for the City of Sunnyvale. Dunn stated the bargaining units have met with the city manager and the association presidents have agreed to ask their employees to defer contracted salary increases for a specific time period. Mayor Spitaleri offered his appreciation for the efforts from the bargaining units by offering to assist with the budget during these difficult economic times.

Public comments closed at 8:38 a.m.

REVIEW OF THE RECOMMENDED FY 2009/10 BUDGET AND 20-YEAR RESOURCE ALLOCATION PLAN

City Manager Gary Luebbers spoke in favor of the 20-year financial plan that the City uses as part of its budgeting practices. City Manager Luebbers provided introductory remarks and used a PowerPoint presentation to highlight the main components of the budget including the basic elements of the budget, how the budget came to be, and will offer budget predictions for next year as well as future years.

City Manager Luebbers explained that the City budget consists of four key elements as follows:

- State Proposed Takeaway - \$4 million
- The Problem – Increasing California Public Employees Retirement System (PERS) Expenditures
- The Plan – Part 1: Cost Saving Actions; Part 2: Personnel Cost Containment; Part 3: Budget Stabilization Fund.
- Community Investment Fund - \$52 million

City Manager Luebbers explained that next year, Council will consider the operating budget.

City Manager Luebbers stated eight budget supplements were proposed and considered and he is recommending four supplements for funding. The four supplements being recommended include:

General Fund

Planning Commission Training
Leadership Sunnyvale

CDBG

Sidewalk/Curb Ramp Acceleration

Utilities

Electronic Utility Bill Presentment/Payment

City Manager Luebbers spoke of the current economic situation in the state and the problems that the City of Sunnyvale is facing which include decreased revenues and unsustainable personnel costs.

Director of Finance Mary Bradley provided information regarding increasing PERS expenditures due to investment losses. These losses affect the employer contribution rates for cities. Director Bradley stated PERS has proposed to implement their increases over three years, amortized over 30 years, in order to delay some of the impact and the proposal is expected to be approved at the June 2009 PERS board meeting.

Director Bradley explained that the increases from PERS will cost the City of Sunnyvale approximately \$123 million from the General Fund over 20 years.

Councilmember Swegles stated that the PERS projection does not take into account any good years during the next 30 years and questioned what will happen to the rates if a good year does occur. Director Bradley explained that the PERS has instituted a "smoothing method" of handling the good and bad years and they spread their projections over a 15 year period. Therefore, staff does not expect the rates to moderate significantly one way or the other.

Vice Mayor Moylan verified with Director Bradley that the money that goes out when there is a zero employer rate for PERS are the employee contributions that the City makes for the employee. City Manager Luebbbers explained that most cities pay the employee contributions in lieu of a higher compensation.

Vice Mayor Moylan verified with Director Bradley that approximately four million dollars exists in the City's PERS stabilization fund. Director Bradley stated the fund will be built up to approximately five million in FY 2010/11 because the City is smoothing expenses in preparation for the rate hike. Director Bradley explained that staff expects to move these funds into the General Fund Budget Stabilization Fund in year 2013.

Vice Mayor Moylan stated he understands that the budget stabilization fund is to assist in keeping City services as stable as possible because the City's sales tax revenues vary. However, the PERS contributions continue to increase and do not appear to be sustainable. City Manager Luebbbers explained that increasing salaries are what make the PERS contributions unsustainable. City Manager Luebbbers stated if the forecasted salary increases are adhered to and expenses stay the same, then the contributions are sustainable; however, it will be up to future City Council's as to whether it will be sustainable based on how they handle salary negotiations.

Councilmember Chu verified with Director Bradley that during the years in which the PERS rate was zero, the City did not have a reserve fund.

Mayor Spitaleri verified with City Manager Luebbbers that staff monitors the budget daily even after the budget is passed. Adjustments are made as needed during the year.

Mayor Spitaleri verified with Director Bradley that legislation has now been passed which requires minimum contributions from employers should the PERS fund ever return to a point where the employer contributions would be zero.

Mayor Spitaleri inquired as to the savings that will be realized this year due to the bargaining units accepting a deferment on their contracted salary increases. City Manager Luebbbers stated the structural deficit would be reduced slightly, approximately \$200,000 to \$300,000, because it is based on a 20-year plan.

City Manager Luebbbers provided a detailed explanation of the plan for cost saving actions to meet the City's \$13 million dollar shortfall.

Councilmember Swegles verified with City Manager Luebbbers that there is a possibility that the amount of unfilled positions, currently at 16, could increase through the utilization of vacant positions and based on the results of that come back from the ongoing staffing studies. City Manager Luebbbers explained that layoffs are not a part of this plan and will be avoided at all costs.

City Manager Luebbbers presented information regarding the City's Budget Stabilization Fund.

Councilmember Chu requested City Manager Luebbbers provide Council with a chart that shows what the Budget Stabilization Fund is as a percentage of the General Fund budget for the same years. Councilmember Chu requested this chart be shared with Council prior to the public hearing on the budget.

Vice Mayor Moylan inquired about the contingency reserve and under what circumstances the fund may be utilized. Director Bradley explained that the fiscal sub-element states that this fund may be used in emergencies or disasters. Director Bradley stated the fund is meant to assist the City during a disaster as a means to help bridge the gap until the City is able to achieve some stabilization. City Attorney Luebbbers explained that what qualifies as an emergency is somewhat unclear. For example, if the City had no other way to pay the state the four million currently being requested, then the contingency fund would be considered.

City Manager Luebbbers presented information regarding the plan for Community Investment in FY 2016/17.

City Manager Luebbbers presented information regarding the Major Fund Reviews. City Manager Luebbbers presented fund reviews starting with the General Fund.

Councilmember Whittum inquired as to why the General Fund operating expenditures have increased. Director Bradley explained that the operating expenditures do not include capital projects, rather the expenditures are primarily for personnel costs.

Councilmember Chu added that the cost of employee health care also affects the operating expenditures.

City Manager Luebbbers presented information regarding the General Fund revenues, property taxes, and sales tax.

Mayor Spitaleri inquired as to whether staff has projected for the recent increase in sales tax.

Councilmember Swegles inquired whether staff has projected the possible sales tax revenue for the new line of electric cars that the Sunnyvale Toyota dealer is now selling.

City Manager Luebbbers explained that staff did not project the possible sales tax revenue from the electric car dealership because the dealership is considering a move to another City.

City Manager Luebbers responded to the mayor's earlier question and explained that staff has reflected in the budget, the new rate for sales tax. Mayor Spitaleri inquired as to how much the increase in the sales tax offsets the loss of sales tax in other areas. City Manager Luebbers stated he would have that information available for Council by the end of the meeting.

City Manager Luebbers presented information regarding property tax/sales tax comparisons.

Councilmember Chu stated the property taxes have increased two percent per year overall and questioned how that compares with other counties. Director Bradley explained that the average county is down about .7 percent.

City Manager Luebbers presented information regarding the Utility Users Tax.

Director Bradley spoke about the City's franchise fees. Director Bradley stated the fees are up approximately one percent.

Vice Mayor Moylan verified with Director Bradley that the cable franchise fees are still in place.

City Manager Luebbers reviewed the Transient Occupancy Tax.

Councilmember Swegles verified with Director Bradley that the City is involved in a pending court case regarding internet sales and the City's ability to collect sales tax revenue for items purchased online.

City Manager Luebbers spoke about construction-related revenue.

Mayor Spitaleri called for a ten minute recess at 10:30 p.m. Mayor Spitaleri reconvened the meeting at 10:40 p.m.

Revenue Systems Supervisor Tim Kirby presented a brief overview of the Utility Enterprise Funds. A public hearing will be held on June 2, 2009 regarding the utility rates.

Councilmember Chu inquired if the Santa Clara Valley Water District is increasing their pump charges for water from the City's wells. Supervisor Kirby explained that the treated water surcharge is being increased in an effort for the City to obtain more groundwater. Councilmember Chu inquired if it is cheaper for the City to obtain well water versus treated water from the water district. Supervisor Kirby explained that the City does not need to treat the well water as it is mixed with the treated water and therefore, it is currently the cheapest source for water.

Supervisor Kirby presented information regarding the Water Supply and Distribution Fund.

Councilmember Whittum verified with Supervisor Kirby that the increases are from rate increases and that the City does not have any new infrastructure projects for recycled water. However, the Department of Public Works is working on updating a master plan for recycled water which will assist the City with what to do about its recycled water system. Staff is looking where current infrastructure exists and looking to hook up new customers.

Councilmember Chu inquired as to what the status is for the Santa Clara Valley Water District's subsidy for recycled water. Supervisor Kirby explained that the rebate from the Santa Clara Valley Water District for recycled water use may be approved through August 2010. At this time, the recycled water rebate has not been reflected in this year's long-term financial plan; however, staff is optimistic that Santa Clara Valley Water District will approve another year of the rebate for recycled water use. Staff is in negotiations with the water district as the possibility of the district making investments in the City's capital infrastructure in order to increase the City's recycled water supply.

Supervisor Kirby continued his discussion of the Water Supply and Distribution Fund.

Councilmember Howe requested that Supervisor Kirby supply Council, before the public hearing on the budget, as to how the top of the second tier of water usage falls in comparison to the median residential usage and how a 15 percent reduction would affect the pricing point. Supervisor Kirby explained that overall, residents' usage has shifted into the first two tiers of usage.

Councilmember Swegles verified with Supervisor Kirby that the City still needs to cover its costs and as less water is sold and used, that results in higher rates on a unit basis.

Supervisor Kirby gave an overview of the Wastewater Management Fund and the SMaRT Station Fund.

Councilmember Chu inquired if the refuse program *ChoiceCollect* has created a higher diversion rate. Supervisor Kirby stated it is a little too early to tell; however, residents did not switch to smaller trash cans as much as staff anticipated.

Councilmember Whittum inquired why rates are being raised since the City is doing well and revenue is increasing. Supervisor Kirby responded that staff is increasing revenues in order to offset increased SMaRT station costs. Councilmember Whittum verified with Supervisor Kirby that the increase in rates will create a balance in the fund similar to this year.

Mayor Spitaleri verified with Supervisor Kirby that the costs are shared by the tonnage that is brought to the SMaRT Station. Should the City of Palo Alto reduce their tonnage by going to a zero waste program, that in turn will raise the cost share for the City of Sunnyvale; however, it would be a larger share of a smaller piece because the overall cost of running the SMaRT station would decrease with less overall waste.

Councilmember Hamilton verified with Supervisor Kirby that the City has received some cost savings by using *Radio Read* and the status is that 27 percent of the meters are using *Radio Read*. Councilmember Hamilton verified with Supervisor Kirby that meters are replaced as they wear out and then the surrounding areas are filled in resulting in the ability to read meters in one area within 15 minutes as opposed to the two hours it would take manually to read the meters.

Councilmember Hamilton verified with Supervisor Kirby that the revenue from recyclables has decreased; however, much of the City's revenue is beverage container-related which does not decrease. Supervisor Kirby stated that previously recyclables revenue was at an unsustainable high level and presently the recyclable revenue is at a more sustainable level which has been reflected in the revenue projections.

Councilmember Hamilton inquired about the mixed paper program. Supervisor Kirby stated he does not have statistics currently available; however, he can bring copies to the June 2, 2009 public hearing. Supervisor Kirby stated he is aware that residents are very supportive of the ability to recycle mixed paper and it is a selling factor for residents when deciding to lower the size of their trash can.

Councilmember Chu stated the key to the success of the SMaRT station is the City's relationship with the cities of Palo Alto and Mountain View. Councilmember Chu inquired as to the status of Memorandum of Understanding (MOU) with these cities and Supervisor Kirby stated that the MOU's expire in 2021 and staff has not been approached by either city as to their long-term intentions. Staff anticipates opening discussions three to four year's in advance. Councilmember Chu inquired whether extension of the MOU's has been included as part of the 20 year plan and Supervisor Kirby responded that staff has anticipated that some type of agreement with some jurisdictions will go forward.

Councilmember Chu inquired if the City's concrete recycling facility will be affected by the new California Air Resources Board emission standards. Supervisor Kirby stated staff is not aware of any concerns over this but will check into this further and will return to Council with an update.

Councilmember Swegles verified with Supervisor Kirby that currently the master meters are being read for mobile home communities, some of which are *Radio Read*.

Councilmember Swegles verified with Supervisor Kirby that the City has been retrofitting the large industrial meters to *Radio Read*; however, for residential, new meters are being installed.

Councilmember Swegles inquired if mobile home owners could purchase *Radio Read* for their individual meters and Supervisor Kirby stated he is not aware if that is possible and would return to Council with a response. Councilmember Swegles verified with Supervisor Kirby that technology exists which would allow for individual meters to be retrofitted to a *Radio Read* meter.

Councilmember Whittum verified with Supervisor Kirby that the increase in cost of meters for commercial use has increased in order to accurately reflect cost of service.

Director of Parks and Recreation David Lewis presented an overview of the Community Recreation Fund

Vice Mayor Moylan stated the City's fiscal policy states when the City charges fees, those fees should cover the cost of the service which is not the case with the field rental fees. Director Lewis explained that Council direction was for these particular sports groups, who fill an important need to the community, to continue serving the Sunnyvale community. Director Lewis stated the groups are aware the fees will be increasing. Vice Mayor Moylan stated adhering to the City's fiscal policy keeps everyone paying their fair share and does not allow for some organizations to pay less based on how valuable to the community they are. Vice Mayor Moylan encouraged the Department of Parks and Recreation to adhere to the City's fiscal policy.

Councilmember Swegles discussed several fee structures and the revenue they generate with Director Lewis.

Councilmember Swegles verified that the golf fees have increased but they are not at the tipping point of losing players.

Director Lewis gave a presentation on the Park Dedication Fund.

Councilmember Whittum stated that the City has been aware for approximately a year that the fees to developers for dedication services could be increased, yet this has not happened. Director Lewis explained that staff will be bringing forward a list of fees for Council review on July 14, 2009.

Councilmember Whittum stated in theory staff could bring forward a General Plan amendment in July that would adopt a standard of five acres per thousand. Councilmember Whittum inquired if that would be the standard that would be needed to adopt a five acre per thousand fee. Director Lewis stated he would need to review the ordinance and City Manager Luebbers stated staff will respond to that question prior to the July 14, 2009 Council meeting.

Councilmember Whittum verified that there are three homes that the City owns, which are close to Murphy Park and the consultants for the Parks of the Future study recommended that the homes be removed in order to increase the size of the park; however, staff is not recommending that.

Councilmember Whittum discussed with Director Lewis the philosophy of reducing parks near train stations where density is expected to increase. Director Lewis explained that unless the City bought the other four houses, it would not serve much of a purpose to demolish homes that have surrounding homes next to them as it would not serve the park.

Vice Mayor Moylan stated when the City contemplates changing a fee, it should be compared with other communities. Vice Mayor Moylan stated fees not comparable should be raised.

Councilmember Hamilton questioned the impact on projections when the City is essentially built out. Director Lewis stated once the City is built out, there would not be a need to build any more parks; however, the park dedication fees are used to rehabilitate older parks.

Councilmember Hamilton verified with Director Lewis that he is not aware of any efforts at obtaining the other four houses near Murphy Park.

Councilmember Hamilton suggested when staff brings back the recommendation on July 14, 2009, if there is a recommendation to go to three acres and a recommendation to set the City standard, then Councilmember Hamilton would request that an additional alternative be included for a tiered system in which there would be a set time for three acres and then a time identified when it would increase to five acres.

Councilmember Hamilton stated her goal was to raise enough funds to purchase the other four houses and not sell off the three that the City currently owns. Director Lewis stated if three acres is approved, that would generate revenue.

Councilmember Swegles discussed with Director Lewis the KaBOOM organization and their Playful City program in which the City is actively participating and is moving toward becoming a designated KaBOOM Playful City.

Councilmember Swegles verified with Director Lewis that volunteers are used to help with maintenance of parks.

Councilmember Hamilton questioned how the parks will continue to be maintained once the City stops receiving park dedication fees. Director Lewis stated that discussion has not come up as revenue from park dedication fees are projected out through the 20-year plan.

Director Lewis presented information regarding the Park Dedication Fund and the recommendation to postpone the Plaza Del Sol, Phase 2.

Vice Mayor Moylan questioned if the Plaza Del Sol project could be phased into sections of importance such as the need to provide shade at the restroom area. Vice Mayor Moylan requested the immediate needs for Plaza Del Sol be brought forward at the next Council meeting. Director Lewis stated the total design for the park has not been completed and if sections were phased in, the cost would be higher. Vice Mayor Moylan stated it would be useful to know how much the cost would increase if the City was to phase in parts of the project and stated he would like to receive that information from staff by the next Council meeting. Vice Mayor Moylan agreed that the total design needs to be completed first.

City Manager Luebbers stated the City is applying for stimulus funding to assist with the Plaza del Sol project.

Councilmember Swegles verified with Director Lewis that even though for the past two years it was free to rent Plaza del Sol, there has not been much demand to rent the center.

Councilmember Chu inquired as to when Plaza del Sol, was approved. Director Lewis stated he would need to look up that information. Director Bradley responded that phase one was completed in 2004 at a cost of seven million dollars.

Councilmember Howe explained that around 2001, the downtown merchants asked Council to remove the tarp that was sitting over the Plaza Del Sol area.

Councilmember Whittum stated the design cost of the second phase of Plaza del Sol which was approved last year, was approximately \$800,000. Director Bradley stated she would need to check the exact figure.

Mayor Spitaleri called for a lunch break at 12:12 p.m. and requested Council return at 1:10 p.m.

Mayor Spitaleri reconvened at 1:13 pm with all Councilmembers present.

Director Lewis gave a presentation on the Parks of the Future; Morse Avenue Park; Continuous Cart Paths; Parks Playground equipment and the Community Center Roof replacement and repair.

Director Lewis gave a presentation on the Tennis Center Rehabilitation; Washington Pool Renovation; Park Buildings Rehabilitation and Baylands Park.

Councilmember Hamilton verified with Director Lewis that the City is incorporating green elements in the community center repair work.

Vice Mayor Moylan verified with Director Lewis that the Library restrooms are being upgraded to alleviate the maintenance problems. City Manager Luebbbers stated the reason he is recommending this upgrade is due to health and safety issues.

Councilmember Swegles verified that the fee received from Baylands goes directly to the City. Councilmember Swegles suggested adding soccer and cricket fields at Baylands. Director Lewis explained the only area where that could be added would be the Great Meadow area; however, that area can be swampy at times and that would go against the original intent of the park.

Councilmember Swegles suggested staff review the possible addition of a soccer and/or cricket fields to one of the City's neighborhood parks, as a means to generate additional revenue.

Councilmember Howe verified with Director Lewis that the City receives between \$3.2 and \$3.5 million in revenue per year by the park generation fee that is listed on Sunnyvale residents' property tax bills. Councilmember Howe verified that the county does not spend any money on parks in the City and Councilmember Howe requested his colleagues remember this when talking about Baylands Park.

Director of Public Works Marvin Rose stated the contract for the design of Plaza del Sol was \$800,000 as Councilmember Whittum mentioned; however, the City stopped the consultant after spending approximately \$150,000.

Director Rose stated the restrooms and shade structure of Plaza del Sol would be approximately 60 percent of the cost of the project. The project could be phased in; however, since there is a question as to whether to move forward with Plaza del Sol until the City is sure what is happening with the Town and Country area.

Director Rose explained that many of the costs listed are based on last year's bids, and staff anticipates savings on these projects this year.

Director Rose gave a presentation on the Sunnyvale Works; Stimulus Funding - ADA curb cuts, Mathilda Avenue Railroad Overpass Improvements, Wolfe Road Caltrain Overcrossing; Calabazas Creek Bridge; Undergrounding Overhead Utilities; Homestead Road Pavement; Murphy Avenue Streetscapes; Water Pollution Control Plant Projects; Construction of New Water Pollution Control Plant.

Director Rose showed a brief video presentation on the Wastewater Treatment Plant.

Director Rose continued his presentation regarding the Water Pollution Control Plant; Rehabilitation of Digesters and Replacement of Digester Lids; Primary Sedimentation Basin Renovation; Air Flotation Tanks Rehabilitation; Various Water Projects which address three primary areas, storage, pipes, and wells; City-wide Water Line Replacement; Refurbishment of Water Tanks – Wright Avenue; Central Water Plant Building Improvements;

Councilmember Hamilton asked for an explanation regarding the water infrastructure bonds. Director Rose responded that because the projects will need a lot more money up front, to level the cost or impact on the water fund, staff is proposing debt to pay for the improvements and then debt service will repay them over time and smooth out the cost to the rate payers. Director Bradley stated the water revenue bonds total approximately 15 million dollars. Councilmember Hamilton verified with Director Bradley that these bonds are authorized and do not need to go before the voters.

Vice Mayor Moylan asked Director Rose to explain the plan for a complete bike lane which travels the length of the City on Mary Avenue. Director Rose explained that staff is revisiting this project and looking at grant opportunities for bike grant funding. Vice Mayor Moylan inquired as to when this project would be reflected in the budget and Director Rose explained that dollar amounts for bike projects are identified; however, staff does not identify specific locations beyond one or two years. The City also has a bicycle opportunities capital program, which has funding in it for various projects. Director Rose explained that staff is re-looking at this project from a priority perspective; therefore, opportunities may exist which may allow the project to be funded.

Vice Mayor Moylan inquired about the possibility of extending LED lighting to City street lights and Director Rose explained that staff is very interested in doing this project due to the high rate of return. The City is currently engaged in a pilot program with DeAnza College. Director Rose explained that LED technology is still developing and staff wants to be sure to make the change at the appropriate time, and not during the development phases.

Vice Mayor Moylan inquired about rehabilitation of the water plant and questioned if Ultraviolet (UV) radiation technology is being considered as a means to purify the water. Director Rose stated (UV) radiation is one of the areas that staff is reviewing and there are funds available for this change. Director Rose stated UV radiation is absolutely one of the processes that will be used.

Vice Mayor Moylan questioned why the proposed 20-year plan shows \$100,000 going into the budget for two years, and then \$30,000 coming back out for the undergrounding of utilities. Director Rose responded it was listed this way because of the sequencing of projects. Director Rose stated staff is overly optimistic as to how quickly Pacific Gas and Electric (PG&E) will be able to move ahead with this project.

Vice Mayor Moylan verified with Director Rose that there is funding in the budget, which is a carry over from last year, for setting up an ongoing program of identifying who is responsible and who owns what in the City. Currently bridges in Sunnyvale are inspected by Caltrans which follows state law, and the Valley Water District performs inspections for levies. Director Rose stated there are many areas where it is not clear who is responsible.

Vice Mayor Moylan questioned if the zero waste project could be delayed in order to move that funding into some of the more timely public works projects. Director Rose explained that the zero waste funding would only relate to the Solid Waste Fund because that is where the zero waste fund is located. Director Rose stated the zero waste project could be delayed; however, staff has been working with the City of Mountain View on this project and there are some economies of scale in keeping this project moving along with Mountain View.

Vice Mayor Moylan requested that the fiber optic cable installation and the undergrounding of utilities be done at same time. Vice Mayor Moylan explained that the scheduling of these two items together could result in cost savings. Director Rose explained that the fiber optic cable installation is an unfunded project. Director Rose stated staff continually looks at opportunities to coordinate with other undergrounding projects. If staff saw an opportunity to coordinate with another project, and the current project was unfunded, staff would come before Council in search of funding in order to take advantage of the coordination of these efforts.

Councilmember Swegles inquired as to why the installation of sidewalks on Morse Avenue stopped and Director Rose explained that construction is continuing on an ongoing basis.

Councilmember Swegles inquired if the streetlights at this project site will be LED and Director Rose stated the lights are not LED because that was not a requirement when the project was approved. When staff determines what the retrofit will be for changing lights to LED, then the lights will be retrofitted.

Councilmember Swegles stated there are ongoing traffic problems with events that occur at the Temple, but the installation of sidewalks should help; however, there are not any sidewalks on the other side of the street. Director Rose stated the areas where sidewalks do not exist will become part of a potential future project.

Councilmember Chu questioned why the traffic and transportation section of the budget lists a number of projects as constrained versus unconstrained. Director Rose explained that represents a funding issue with the Santa Clara Valley Transportation Authority (VTA) as to the type of funds and the amount of funds that can be used. Director Rose stated the constrained projects are more likely to be funded.

Councilmember Chu requested the definition of constrained and unconstrained projects be defined within the budget.

Councilmember Chu verified with Director Rose that no decision has been made regarding the size of the water pollution control plant.

Councilmember Chu inquired as to the location of other wastewater treatment plants and Director Rose responded there is a plant in Palo Alto, Sunnyvale and San Jose.

Councilmember Whittum inquired if the Solid Waste Utility Funds can be applied toward street cleaning and Director Rose responded that staff is recommending in this budget to move the street sweeping portion of the budget from the General Fund into two utility funds that directly benefit from street sweeping, the Solid Waste Fund and the Waste Water Fund. Director Rose further explained that 50 percent of the street sweeping costs will be moved into each fund.

Councilmember Whittum verified with Director Rose that the connection between the greenbelt up to Tasman is a project that staff is waiting for grant funding.

Director of Public Safety Don Johnson provided a presentation on Major Public Safety Projects.

Councilmember Swegles inquired if retirements versus recruitments will help due to the difference in salaries. Director Johnson stated within a two year period, a new hire would move up to a middle step. Director Johnson explained that salaries are not budgeted at the highest step, rather they are budgeted at the middle step.

City Manager Luebbers stated the budget presentation has now been completed.

Councilmember Whittum stated the Solid Waste Fund had a surplus of \$270,000 at the end of this year; therefore, it appears that there might be enough, on a one-time basis, to fund improved street cleaning for a year, without an adjustment to the rates.

Councilmember Hamilton stated she would like to see the utility billing budget supplements move forward, but since a system has not yet been identified, she questioned if staff has spent time looking at programs that could also include on-line registration for parks and recreation classes. Director Bradley responded that staff would be looking at a front-end system that would work with the City's currently utility billing system. City Manager Luebbers stated the optimum staffing studies would look at this option. Director Lewis responded the Parks and Recreation Department already has an online registration system.

Councilmember Hamilton requested the City work toward the goal of having all City systems respond to one log-in for citizens. City Manager Luebbers explained staff is continuing to look for ways to become more user-friendly. Director Bradley explained the major portion of this utility system is that a utility bill may be produced online.

Councilmember Hamilton explained that her long-term goal is for users of the City's website to only have to log in once for all the functions available.

Vice Mayor Moylan verified that deleted items do not need to stay listed in the operating budget; other than recent history. City Manager Luebbers agreed.

Vice Mayor Moylan suggested staff re-evaluate performance measures in depth for next year.

Councilmember Howe held a discussion with City Manager Luebbers regarding the water rates and the four tiers. City Manager Luebbers stated staff will gather information regarding how the tiers affect the water rates prior to the public hearing for the setting of utility rates.

Councilmember Whittum verified with City Manager Luebbers that Council has the option of using the \$45,000 in General Fund money, saved by reprogramming of the 15% of CDBG-R funds at an earlier meeting for items such as community events or junior achievement instead of returning the funds to the General Fund. Councilmember Whittum stated the funds could also be returned to the Budget Stabilization Fund.

Councilmember Whittum stated this budget does not cut out the resident satisfaction survey or the mailing of the quarterly reports and questioned how much savings could be realized if those items were cut out of the budget.

Councilmember Whittum inquired whether Council has the ability to make a budget decision regarding the \$150,000 per year for the PEG Fund, currently not being used, and City Manager Luebbers explained that Council can make changes up to the point the budget is adopted.

Councilmember Whittum inquired as to how much the City would lose if the entrance fee was waived at Baylands Park from May to October. Director Bradley stated waiving the fees would cost the City approximately \$65,000 a year.

Councilmember Whittum spoke about personnel costs and suggested a discussion occur regarding a two-tier system. City Manager Luebbers explained that it would be a number of years before Council could see the savings reflected. Councilmember Whittum stated this subject could be a potential study issue. Mayor Spitaleri responded the League of California Cities subcommittee is reviewing the pension program and looking at two-tiered systems and other potential savings in redesigning the PERS program. That information will come forward to Council from the League of California Cities.

Councilmember Hamilton proposed to sponsor a 2010 study issue regarding splitting the cost of doing sidewalk repair with homeowners. No co-sponsors were received and the proposed study issue failed.

SUMMARY AND CONCLUDING REMARKS

Mayor Spitaleri thanked City Manager Luebbers and staff for an excellent budget report.

Mayor Spitaleri announced that Standard and Poor's just completed a review of the City's overall credit worthiness and that review resulted in the City's "Issuer Credit Rating" being upgraded to AAA. Sunnyvale now stands as one of only eleven cities in California to hold a AAA rating, which is the highest rating possible.

Vice Mayor Moylan spoke about the Balanced Growth Index which grew out of the Community Visioning event several years. Vice Mayor Moylan stated the growth was to be five percent per year, and after three years, the City should have grown 15 percent; however, currently the City has doubled that amount with increased jobs and population growth; however falls below that percentage in housing units, utility capacity improvements, transportation capacity improvements and park capacity improvements. Vice Mayor Moylan explained how important this document is to the overall General Plan.

Mayor Spitaleri stated the review of the Recommended FY 2009/10 budget and 20-year Resource Allocation Plan has now been completed.

PUBLIC HEARINGS/GENERAL BUSINESS

2. MOTION Award of Bid No. F0804-63 for Historic Murphy Avenue RTC 09-130 Streetscape and Utilities Replacement

Finance Director Bradley presented the staff report.

Councilmember Whittum recused himself from this item due to living within 500 feet of this project. Councilmember Whittum left the dais.

Public hearing opened at 2:50 pm

Harriet Rowe, Chair of Planning Commission speaking on her own behalf, requested Council consider the sound issues on Murphy Avenue.

Public hearing closed at 2:51 pm

MOTION: Councilmember Hamilton moved and Councilmember Chu seconded to award a contract, in substantially the same format as the attached draft and in the amount of \$3,167,000, to Joseph J. Albanese, Inc. for Historic Murphy Avenue Streetscape and Utilities Replacement; and approve a contingency in the amount of \$475,050.

VOTE: 6-0 (Councilmember Whittum recused)

ADJOURNMENT

Mayor Spitaleri adjourned the Council meeting at 2:54 p.m.

Kathleen Franco Simmons
City Clerk

Date